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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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25X1 1. the VEB Arzneimittelwerk Dresden (AWD)
25X1 employees:
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Kraft (fnu)	Works Director
Claus (fnu)	Head Bookkeeper
Dr. Froehlich (fnu)	Chief of Planning
Schumann (fnu)	Section Chief, Finance Section
Kluge (fnu)	Section Chief, Finance Bookkeeping
Lehmann (fnu)	Section Chief, Plant Accounting
Bieganski (fnu)	Section Chief, Materials Bookkeeping
Kohlstrunk (fnu)	Balance Bookkeeper
Ulbrich (fnu)	Finance Planner
Meltzer (fnu)	Investment Bookkeeper

2. The AWD was subordinate to the Hauptverwaltung Pharmazie in the Ministry of Health. Prior to 15 March 1953 the firm was a section of VVB Pharma. Its level within the VEB was 1 Gruppe: A, Praemiengruppe I/coefficient: 1.0.

3. On 1 January 1953 the number of employees, exclusive of apprentice-trainees, was 1448. On 30 June 1953 the firm had 1473 employees. According to the 1953 Plan the firm should employ 1481 persons.

4. The following table indicates achievement in production:

	1953 Plan	Plan First Quarter	Actual First Quarter	Plan First & Second Quarters	Actual First & Second Quarters
Net Production (Thousand DME)	33,366	7,653	9,500	16,063	19,309
Percent of Year's Requirement	100	22.9	28.5	48.1	57.9
Goods Production (Thousand DME)	22,087	5,192	6,352	10,755	12,851
Percent of Year's Requirement	100	23.5	28.8	48.7	58.2

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5. The firm operated without an actual Plan for the first quarter of 1953 because the DHZ (Deutsche Handels Zentrale) refused to agree upon yearly contracts. It was not until the second quarter that plant production was based on definite contracts. The deviations from Plan figures, which appear in the above table, occurred because the firm had to fulfill excessive demands in the first quarter and, in the second quarter, assets were so depleted that enormous amounts had to be produced to replace stocks and to satisfy the Plan. Contract figures for various preparations were so low, especially for ampules, that it was necessary to produce more than was called for by the Plan.

6. After discussions with the Hauptverwaltung several market outlets in Halle and Magdeburg were handed over to the Caesar Und Loretz firm. This was done to enable the latter private enterprise, which had been taken over under trustee administration, to resume its activities. This action curtailed the Plan tasks for AWD, but the resulting production cutback did not cancel the other factors which forced it to produce in excess of Pla

7. Production of pharmaceutical specialties and drugs was highest in April because of demand and the need to fill stock supplies. Production decreased in May and, with fewer working days in May, part of May's production was not fulfilled until June. The Plan was fulfilled 125 percent in April, 102 percent in May and 126 percent in June. Even those plant sections which had no clearly defined market performed successfully.

a. The penicillin Plan was completely fulfilled and, in contrast to the first quarter, was 40 percent overfulfilled. By the introduction of corn steep liquor into the penicillin growth media the concentration of penicillin in the culture solution was raised from 500 International Units (I. U.) per milliliter, in March, to an average of 845 I. U. per milliliter in June. Maximum levels of 1500 I. U. were also reached. Chemical yields were essentially higher. The calcium penicillin was white in color and had a purity of 1425 I. U. per milligram. The product passed all potency and purity tests. In addition to the white product, 15 percent of the plant penicillin was colored. In March, 29 percent was colored but this material could be used for Oral-Penicillin and Veterinaer-Penicillin. Production of Oral-Penicillin was suspended when imposition of a cost-tax made sale of the product impossible. The plant tried constantly to have the cost-tax for Oral-Penicillin abolished but without success. Physicians were unable, because of the cost-tax, to prescribe Oral-Penicillin, a preparation approved by reliable clinics and of proven to be value in medical practice. Budget considerations allegedly could not be used to support the imposition of a cost-tax because sales possibilities were lost. Furthermore, the plant could not produce the desired profits from sales and had to store the penicillin. Storage of the penicillin was a waste because it could only be used for preparing oral penicillin. The cost-tax-free price approval for Veterinaer Penicillin came so late that it was no longer possible to deliver the material to the prepared-goods department.

b. Attempts to increase the production yields of xanthocillin were continued. Based on a theoretical yield of about 437 milligrams per flask, the plant succeeded in isolating 83 percent of available xanthocillin. In March the practical yield was 80.5 percent. Production of this antibiotic was sharply curtailed in June because sales were not as high as expected.

c. Work in the alkaloid-production section, to increase the yields of pure morphine and codeine, was continued with good results. Yields of pure morphine were raised from 89.5 percent in March to 92.9 percent at the end of June. Yields of pure codeine were raised from 72.6 percent to 82 percent. Alcoholic potassium hydroxide was used in the codeine synthesis to replace sodium metal. The products were allegedly to be of a quality equal to that of foreign products, including those of West Germany.

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d. Production of Dehacodein (sic) caused no further problems. The yield was raised from 72.5 percent in April to 88 percent in June.

e. The production of Dihydrocodeinone was continued.

f. The plant continued to use imported ergot for production of ergotamine. Native ergot was unsuitable for this production.

g. New methods for the preparation of atropine and scopolamine were worked out and were undergoing pilot plant checking. These methods would decide whether native drugs could be used as a substitute for imported products.

h. The procedure for the preparation of Panlanat was further stabilized. The most recently produced material had a 32 percent glycoside content in contrast to the older product of 20 percent content.

i. Intensive efforts to produce Digitoxin were continued. Results were unsatisfactory and no success was expected until suitable raw materials could be supplied to the plant.

j. Considerable emphasis was placed on the study of methods for extracting and purifying crude neats-foot-oil. The State was especially interested in this problem since bones were urgently needed for the extraction of photo-gelatine. Better procurement procedures had already provided an additional supply of raw materials. The rise in production which occurred led to an increase of stocks on hand. Further increases in demand for watch-oil and, especially, fine-mechanism oil made possible a further increase in production of neats-foot-oil. At this point capacity problems arose. The extraction and refinery apparatus at AWD was at least 60 years old. Members of the production, research and technological section set up a plan to alter the production process in order to increase capacity and improve oil-quality. But before any plans could be realized, the important questions of tax and prices had to be clarified. This clarification was to be brought about through Dr. Knetsch (fnu) of the State Materials Supply (Staatliche Materialversorgung). Independent of the realization of the new plan, immediate remedies had to be sought for the oil extraction difficulties. Plant experiments showed that the first requirement for a fine quality oil was the use of fresh bones. Two-day-old bones showed a rise in degree of acidity which became so high after five days that the extracted oil could no longer be named 'neats-foot-oil' and could be used only by the soap industry. Since available storage space could not be used to refrigerate the cattle-leg bones, a refrigeration room would have to be built. Under existing conditions, preparation of a high quality oil was not possible.

k. Among the more serious problems under study at AWD was the re-working of tablet and pill formulas in order to economize on the use of filter-materials and to establish a uniform packing system.

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